



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

SPAWARINST 7540.4D
SPAWAR 00G
28 JAN 1998

SPAWAR INSTRUCTION 7540.4D

From: Commander, Space and Naval Warfare Systems Command

Subj: RELATIONS WITH AUDIT AGENCIES AND THE SURVEYS AND INVESTIGATIONS
STAFF (S&IS) OF THE HOUSE APPROPRIATIONS COMMITTEE (HAC)

Ref: (a) SECNAVINST 5740.26
(b) SECNAVINST 5740.25C
(c) SECNAVINST 7510.7E
(d) SECNAVINST 5740.24B
(e) SECNAVINST 5200.34D

1. Purpose. To provide guidance and direction to Space and Naval Warfare Systems Command (SPAWAR) Project Managers, Directorate and Staff Code Heads and its subordinate SPAWAR System Centers (SPAWARSYSCENs) per references (a) through (e) with respect to the General Accounting Office (GAO), the DOD Office of the Assistant Inspector General for Auditing (AIG(A)), the Naval Audit Service (NAVAUDSVC), and the Surveys and Investigations Staff (S&IS) of the House Appropriations Committee (HAC) relative to: (1) working with auditors and S&IS personnel during their surveys, reviews and audits of SPAWAR and SPAWARSYSCENs, (2) granting access/release of DON records and information, (3) ensuring SPAWAR comments on audit reports are timely, responsive and representative of the SPAWAR position, (4) and taking follow-up actions on the findings and recommendations published by the specified audit organizations.

2. Cancellation. SPAWARINST 7540.4C of 28 March 1988.

3. Background

a. There is increasing Congressional interest in the review and analysis of government operations, including those of the Department of the Navy (DON). This review and analysis takes several forms including reviews of audits performed by GAO, AIG(A), NAVAUDSVC and the S&IS. These audit reports have a substantial impact on congressional and public views concerning DON activities.

b. References (a) through (c) contain specific details as to the nature of GAO, AIG(A), and NAVAUDSVC operations and relationships with audited activities. These references also emphasize the requirement for timely and responsive replies to audit reports, and promulgate guidance for preparation and coordination of management responses. Reference (d) provides guidance to DON personnel in their relations with members of the S&IS. Follow-up procedures and related reporting requirements for audit reports are outlined in reference (e).

4. Policy

a. DON policy is to cooperate fully with audit organizations. Commander, Space and Naval Warfare Systems Command (COMSPAWAR) fully supports the concept of audit and cooperation with representatives of audit agencies. This includes taking full advantage of audit findings and recommendations to improve SPAWAR operations.

b. The pursuit of integrity and efficiency, to eliminate fraud, waste and abuse, is a major objective of the DON. COMSPAWAR requires that SPAWAR personnel take prompt action to correct and prevent recurrence of deficiencies identified in reports of audit organizations.

5. Procedures

a. Initial Contact.

(1) SPAWAR employees initially contacted directly by representatives of audit agencies/S&IS should note the auditor's name and telephone number, title of the audit being performed, and the audit number/code or project number. Specific details concerning the audit subject should not be discussed until SPAWAR 00G is contacted to verify:

- Audit assignment (obtain authorizing documentation, if not in SPAWAR 00G files).
- Names of audit representatives assigned to the specific audit.
- Security clearances of audit team members.
- Receipt of Notice of Visit.

(2) SPAWAR employees should not arrange meetings or discuss any audit subject with auditors based on a phone call from their sponsor, any other person in OPNAV or external commands until SPAWAR 00G has been contacted. The purpose of this referral is to ensure that security clearances and an announcement of the audit or survey are on hand. This referral will also serve as information for determining whether audit queries are consistent with audit objectives, and for SPAWAR 00G to provide available background documents to SPAWAR personnel.

b. Opening/Entrance Conference. When notified of the initiation of an audit in SPAWAR, SPAWAR 00G will arrange for an "opening conference" between auditors and pertinent SPAWAR representatives, and notify appropriate personnel in SPAWAR. The purpose of this conference is to gain a mutual understanding of the audit background, scope, specific objectives, timeframe, locations to be visited, audit methods to be employed, and milestones for completion. SPAWARSYSCENs should conduct similar opening conferences.

c. Access to Management Information. Auditors should be provided access to information and records as necessary to carry out their statutory responsibilities.

- (1) Specific regulations with respect to GAO's, AIG(A)'s and NAVAUDSVC's access to information are contained in references (a), (b) and (c).
- (2) Per DON policy to cooperate fully with auditors, all SPAWAR personnel shall make every effort to be responsive to requests for information and shall respond to such requests as promptly as possible and within the time periods established by proper authority.
- (3) SPAWAR personnel have the responsibility to ensure the information provided to auditors is factual, accurate, complete, and current, as appropriate.
- (4) Perceived conflicts between auditors' queries for information and audit scope or any questions/objections regarding access/release of information to auditors shall be referred to SPAWAR 00G for resolution.
- (5) SPAWAR managers should attempt to correct true deficiencies identified by auditors as soon as reasonably possible. Correction of such deficiencies prior to the draft or final audit report should be credited to SPAWAR in the final report.

d. Closing/Exit Conference. Cognizant SPAWAR managers shall hold an exit conference with audit agencies and attempt to resolve as many disagreements as possible at the activity level. The objective and constructive exchange of ideas and information between management and audit representatives during the exit conference encourages the resolution of nonconcurrences, which would otherwise be forwarded up the chain of command for resolution. The exit conference also provides an excellent opportunity for managers and auditors to discuss overall audit results and to make appropriate changes to draft findings and audit recommendations.

e. Management Responses to Audit Reports. Upon receipt of an audit report, SPAWAR 00G will provide detailed guidance for the preparation of responses. The following provides pertinent highlights and supplementary information.

- (1) Comments on audit reports should be accurate, clear, positive, objective; existing problems should be acknowledged; applicable corrective actions indicated; and pertinent omissions or inaccuracies in auditor findings and conclusions should be judiciously cited. Refute inaccurate auditor statements or unsound conclusions on the basis of fact or logic. Place a critical statement in proper perspective, relating it to the timeframe of the reported deficiency and conditions existing at the time, and obtain legal review, as necessary. Relate the conditions to the magnitude of the functions, citing comparative figures where possible. Avoid contentious language, tone and opinions.
- (2) Ensure that applicable monetary benefits discussed in a report as a savings or a cost avoidance are specifically addressed in the response. The alleged savings or cost

avoidance should be confirmed, refuted, or corrected, as appropriate. Conversely, increased costs which might result from a report's finding or recommendation should also be addressed. Amounts that cannot be verified should be discussed with the auditors promptly and resolved.

6. Responsibilities

a. SPAWAR, Office of the Inspector General (SPAWAR 00G). SPAWAR 00G is designated as the "central coordinating office" in SPAWAR to maintain liaison with the audit organizations (GAO, AIG(A), NAVAUDSVC) and S&IS, and with OSD/OASN/OPNAV/NAVCOMPT and other organizations on audit matters. SPAWAR 00G will:

- (1) Coordinate the preparation of assigned Navy-wide replies (for ASN signature) or SPAWAR replies to audit reports.
- (2) Assign action responsibility and due dates to specific elements of SPAWAR to provide comments to SPAWAR 00G on audit findings and recommendations in audit reports, and furnish the SPAWAR action offices with pertinent guidance relative to the report.
- (3) Arrange and attend all opening and closing conferences with auditors or S&IS staff and pertinent SPAWAR pertinent personnel.
- (4) Provide guidance on the release of information to auditors and S&IS staff.
- (5) Arrange for contact with audit personnel to obtain clarification of statements and/or additional facts or data.
- (6) Control and monitor progress of the preparation of responses to assure prompt, timely and responsive reaction to reports.
- (7) Provide guidance and assistance to action offices in the preparation of responses and administrative procedures pertaining to receipt, assignment, review, evaluation and release of such responses.
- (8) Ensure that responses to claimed monetary benefits in audit reports are specifically addressed during the utilization process and subsequent replies.
- (9) Obtain legal review, as appropriate, on responses.
- (10) Assist in resolving problems that may arise, including the resolution of differences on audit recommendations.
- (11) Monitor the implementation of corrective action required in connection with audit

reports.

- (13) Prepare semiannual follow-up status reports to NAVINSGEN on the status of actions taken to correct deficiencies reported in audit reports.
- (14) Represent SPAWAR on issues of controversy surrounding audits scheduled or in process.
- (15) Consider the applicability of the report's finding to functions and/or elements of the organization not covered by the report.
- (16) Maintain an official file on each audit survey, review and report of interest to SPAWAR.

b. SPAWAR Program Directorates and Staff Offices will:

- (1) Adhere to established deadlines as determined by SPAWAR 00G for responding to audit reports, based on time requirements of higher authority.
- (2) Cooperate with audit agencies/S&IS staff and SPAWAR 00G in responding to audit queries and in making pertinent information available.
- (3) Request audit "closing/exit conferences" immediately upon the receipt of the last draft finding from the audit agencies, or indication that auditors have completed their work at SPAWAR.
- (4) For each opening and closing conference, prepare a "memo for the record" within seven days which highlights matters discussed. Provide copies to SPAWAR 00G.
- (5) Coordinate with SPAWAR 00G to ensure that monetary benefits claimed in draft and final audit reports are specifically addressed in responses.
- (6) Ensure that applicable audit findings and recommendations are adequately addressed in comments on audit reports.
- (7) Provide a current "point of contact" for all audit liaison/S&IS matters to SPAWAR 00G.

c. SPAWARSYSCENs will:

- (1) Designate, within the activity, a point of contact through which all audit matters will be referred. The individual so designated should also be responsible for coordinating and preparing comments in reply to audit reports.
- (2) Advise SPAWAR 00G of name, code and phone numbers of coordinator assigned.

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- (3) Ensure that appropriate activity personnel are advised of pertinent provisions of this and other referenced instructions.
- (4) Request audit "exit conferences" at the close of audits. Commanding Officers or their designees should make every effort to attend such meetings to ensure top management attention and participation.
- (5) Perform follow-up on activity compliance with audit recommendations. Report follow-up status information on open recommendations in NAVAUDSVC reports to the Auditor General of the Navy, with copy to SPAWAR 00G, within 30 days after publication of the final audit report. The status report will include date of completion or revised completion date. For GAO/AIG(A) reports, SPAWAR 00G will request follow-up information when appropriate.
- (6) Coordinate with SPAWAR 00G on all matters related to audits and S&IS matters.
- (7) Ensure that the policy and general procedures contained in this instruction are incorporated in local directives, as appropriate.
- (8) Ensure that responses to claimed monetary benefits in audit reports are specifically addressed in responses to draft and final audit reports.
- (9) Provide semiannual follow-up status reports to SPAWAR 00G in response to SPAWAR's semiannual tasking letter.
- (10) Provide a quarterly status report to SPAWAR 00G of all ongoing external audits/reviews/surveys conducted by GAO, AIG(A), NAVAUDSVC and S&IS. The reports are due by the tenth day following the end of each quarter (e.g., 10 April).

/s/

G. F. A. Wagner
Rear Admiral, U.S. Navy

Distribution:
SPAWAR List 2

SNDL Part II:
FKQ (SPAWARSYSCEN's)